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BEFORE THE ARIZONA CORPORATION COMMISSION

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COMMISSIONERS

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Arizona Corporation Commission

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APR 16 2004

MARC SPITZER, Chairman  
WILLIAM A. MUNDELL  
JEFF HATCH-MILLER  
MIKE GLEASON  
KRISTIN K. MAYES

IN THE MATTER OF THE APPLICATION OF  
MOUNTAIN GLEN WATER SERVICE, INC. FOR  
A PERMANENT RATE INCREASE.

DOCKETED BY  
DOCKET NO. W-03875A-03-0737  
*Mike*

IN THE MATTER OF THE APPLICATION OF  
MOUNTAIN GLEN WATER SERVICE, INC. FOR  
FINANCING APPROVAL.

DOCKET NO. W-03875A-03-0870

PROCEDURAL ORDER

**BY THE COMMISSION:**

On October 6, 2003, Mountain Glen Water Service, Inc. ("Company" or "Applicant") filed with the Arizona Corporation Commission ("Commission") an application for a permanent rate increase in Docket No. W-03875A-03-0737.

On November 5, 2003, pursuant to A.A.C. R14-2-103, the Commission's Utilities Division ("Staff") issued a notice of sufficiency which classified the Company as a Class D utility.

On December 4, 2003, Applicant filed with the Commission an application in Docket No. W-03875A-03-0870 requesting approval of financing to purchase arsenic removal equipment.

On January 13, 2004, Staff filed a Motion to Consolidate the above-captioned proceedings and requested a 45-day extension of the rate case time-frame in order to consider additional data for both cases.

By Procedural Order issued January 20, 2004, Staff's Motion to Consolidate was granted and the above-captioned dockets were consolidated.

On March 4, 2004, Staff filed its Staff Report in the consolidated dockets. Staff recommended approval of the applications, subject to certain modifications, including the imposition of a surcharge to finance the proposed loan associated with purchase of arsenic treatment equipment.

This matter shall be set for hearing in order gather additional information regarding Staff's arsenic surcharge recommendation. Staff should be prepared to respond to questions regarding its

1 recommendation including, but not limited to, the following issues: timing of imposition of the  
2 proposed surcharge; the procedural format for implementation of the proposed surcharge; whether the  
3 surcharge would be assessed to customers in each of the Applicant's systems; whether less expensive  
4 options have been considered by the Company, including, but not limited to, drilling new wells,  
5 blending water, leasing of arsenic treatment facilities, and purchase of water from alternative sources;  
6 whether Staff's recommendation includes consideration of operation and maintenance costs  
7 associated with arsenic treatment facilities; whether step increases of the proposed surcharge were  
8 considered; whether an alternative rate design may be appropriate for recovering the arsenic  
9 surcharge costs; and whether implementation of the surcharge mechanism, in the proposed format,  
10 would be compliant with Arizona "fair value" requirements.

11 IT IS THEREFORE ORDERED that this matter shall be scheduled for hearing on **May 25,**  
12 **2004, at 9:00 a.m., at the Show Low Unified School District Auditorium, 500 West Old Linden**  
13 **Road, Show Low, Arizona.**

14 IT IS FURTHER ORDERED that the Company shall provide notice of the proposed arsenic  
15 surcharge mechanism and of the hearing in this matter in the following form and style:

16  
17 **PUBLIC NOTICE OF HEARING ON THE**  
18 **RATE AND FINANCE APPLICATION OF**  
**MOUNTAIN GLEN WATER SERVICE, INC.**  
**DOCKET NOS. W-03875A-03-0737 and W-03875A-03-0870**

19  
20 On October 6, 2003, Mountain Glen Water Service, Inc. ("Company") filed an  
21 application with the Arizona Corporation Commission ("Commission") for an increase  
22 of approximately 29 percent over adjusted test year revenues. The actual percentage  
23 rate increase for individual customers will vary depending upon the type and quantity  
24 of service provided. The Company also seeks authority to incur long-term  
25 indebtedness in the amount of \$640,710 to purchase or construct arsenic treatment  
26 equipment to comply with new federal arsenic standards. The Commission's Staff has  
27 recommended an increase in revenues of 14.72 percent over adjusted test year  
28 revenues plus an additional arsenic removal surcharge of approximately \$22.66 per  
customer per month to recover the costs of the financing associated with arsenic  
treatment. Copies of the Company's application and proposed tariffs, as well as  
Staff's recommendations, are available at its office and the Commission's offices for  
public inspection during regular business hours.

The Commission will hold a hearing on this matter beginning on **May 25, 2004, at 9:00 a.m., at the Show Low Unified School District Auditorium, 500 West Old Linden Road, Show Low, Arizona.** Public comments will be taken at the commencement of the hearing.

The law provides for an open public hearing at which, under appropriate circumstances, interested parties may intervene. Intervention shall be permitted to any person entitled by law to intervene and having a direct and substantial interest in the matter. Persons desiring to intervene must file a written motion to intervene with the Commission, which motion should be sent to the Company or its counsel and to all parties of record, and which, at the minimum, shall contain the following:

1. The name, address, and telephone number of the proposed intervenor and of any party upon whom service of documents is to be made if different than the intervenor.
2. A short statement of the proposed intervenor's interest in the proceeding (e.g., a customer of the Company, a shareholder of the Company, etc.).
3. A statement certifying that a copy of the motion to intervene has been mailed to the Company or its counsel and to all parties of record in the case.

The granting of motions to intervene shall be governed by A.A.C. R14-3-105, except that all motions to intervene must be filed on or before **May 17, 2004**. The granting of intervention, among other things, entitles a party to present sworn evidence at hearing and to cross-examine other witnesses. However, failure to intervene will not preclude any customer from appearing at the hearing and making a statement on such customer's own behalf.

If you have any questions or concerns about this application or have any objections to its approval, or wish to make a statement in support of it, you may write the Consumer Services Section of the Commission at 1200 West Washington Street, Phoenix, Arizona 85007 or call 1-800-222-7000 or appear at the hearing and make comment.

The Commission does not discriminate on the basis of disability in admission to its public meetings. Persons with a disability may request a reasonable accommodation such as a sign language interpreter, as well as request this document in an alternative format, by contacting the ADA Coordinator, voice phone number 602/542-3931. Requests should be made as early as possible to allow time to arrange the accommodation.

IT IS FURTHER ORDERED that the Applicant shall mail to all property owners in the affected service area a copy of this notice by first class U.S. Mail, to begin as soon as possible and to

1 be completed on or before April 26, 2004.

2 IT IS FURTHER ORDERED that the Applicant shall file certification of mailing as soon as  
3 practical after the mailing has been completed, but no later than May 10, 2004.

4 IT IS FURTHER ORDERED that notice shall be deemed complete upon mailing  
5 notwithstanding the failure of an individual property owner or customer to read or receive the notice.

6 IT IS FURTHER ORDERED that the ex parte rule (A.A.C. R14-3-113 – Unauthorized  
7 Communications) applies to this proceeding as the matter is now set for public hearing.

8 IT IS FURTHER ORDERED that the Presiding Officer may rescind, alter, amend, or waive  
9 any portion of this Procedural Order either by subsequent Procedural Order or by ruling at hearing.

10 DATED this 16<sup>th</sup> day of April, 2004.

11  
12 


13 DWIGHT D. NODES  
14 ASSISTANT CHIEF ADMINISTRATIVE LAW JUDGE

15  
16 Copies of the foregoing mailed/delivered  
17 this 16 day of April, 2004 to:

18 Mountain Glen Water Service, Inc.  
19 P.O. Box 897  
Clay Springs, AZ 85923

20 Christopher Kempley, Chief Counsel  
21 Legal Division  
ARIZONA CORPORATION COMMISSION  
22 1200 West Washington Street  
Phoenix, AZ 85007

23 Ernest G. Johnson, Director  
24 Utilities Division  
ARIZONA CORPORATION COMMISSION  
25 1200 West Washington Street  
Phoenix, AZ 85007

26 By:   
27 Molly Johnson  
28 Secretary to Marc E. Stern